



**Investment Office**

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November 14, 2005

**AGENDA ITEM 8b**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Amendment to Primary Pension Consultant Contract
- II. PROGRAM:** CalPERS Total Fund
- III. RECOMMENDATION:** Authorize the augmentation of the Primary Consultant Contract No. 2005-3632 (Wilshire Associates) up to a maximum of 35% to allow subcontracting with best in class firms to assist with permissible equity country research
- IV. ANALYSIS:**

The current CalPERS permissible equity country research contracts were awarded through exemption from competitive bid in 2001 and expire on June 30, 2006. Board policy requires the continuation of this research. The Primary Pension Consultant contract held by Wilshire contains provisions requiring them to produce the permissible equity country list.

The Wilshire contract also contains provisions for the firm to engage subcontractors to assist in contract work, with CalPERS approval. Staff seeks approval to allow Wilshire to subcontract with best in class firms to assist with research for the permissible equity country screening process upon expiration of CalPERS' current research contracts. The subcontractors will provide research on monetary and fiscal policy transparency, labor standards, including issues covered by the International Labor Organization (ILO) conventions, and research on shareholder and creditors' rights within subject countries. The approval of this augmentation request will allow Wilshire to subcontract for these services, resulting in CalPERS receiving seamless permissible equity country research.

Fees paid by Wilshire to subcontractors require augmentation of the Wilshire contract. Board approval is required for contract augmentation in excess of a 30% increase.

Assuming that Wilshire subcontracts with firms at fees similar to those currently paid, augmentation of its contract would need to equal 32%. Augmentation of the contract up to a maximum of 35% is warranted to give Wilshire the flexibility to subcontract with best in class firms at comparable costs.

**Recommendation**

Staff recommends approval for augmentation of the Wilshire contract up to a maximum of 35% to allow subcontracting with best in class firms to assist with permissible equity country research upon expiration of the current research contracts.

**V. STRATEGIC PLAN:**

Goal VIII: "Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions."

**VI. RESULTS/COSTS:**

The current Wilshire contract amount for Fiscal Year 2005-2006 is \$2,864,000. The current costs for permissible equity country research are \$921,749. The revised annual cost of the Wilshire contract would be between \$3,785,749 and \$3,866,400 if Board approval is received.

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Greg Hood  
Division Chief

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Assistant Executive Officer

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Chief Investment Officer

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